BBVA Group

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Resilience in a difficult environment

**BBVA Strengths**

- Attractive business model
- Superior earnings power
- Solid risk management
- Sound capital and liquidity position
- Moving ahead in digital Transformation
Attractive Business Model
Well diversified with leading franchises

Geographically diversified
Gross Income breakdown
1H2016 (%) (1)

With leading franchises in our core markets
Market share and ranking by loans
Detail by country (2)

<table>
<thead>
<tr>
<th></th>
<th>Market share (%)</th>
<th>Ranking (#)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico</td>
<td>23.8%</td>
<td>1st</td>
</tr>
<tr>
<td>Spain</td>
<td>14.4%</td>
<td>2nd</td>
</tr>
<tr>
<td>Turkey</td>
<td>11.8%</td>
<td>2nd</td>
</tr>
<tr>
<td>South America</td>
<td>10.4%</td>
<td>1st</td>
</tr>
<tr>
<td>USA (Sunbelt)</td>
<td>6.3%</td>
<td>4th</td>
</tr>
</tbody>
</table>

(1) Figures exclude Corporate Centre. (2) Spain: market share data correspond to other domestic sector and public sector data as of June, 2016 (source: Bank of Spain) while the ranking has been built using AEB and CECA data; Mexico: data as of June, 2016; South America: data as of June, 2016; ranking considering only our main peers in each country; USA: data as of June, 2015 market share and ranking by deposits considering only Texas and Alabama; Turkey: BRSA data for commercial banks as of June, 2016; ranking only considers private banks.
Ensures resilience and low volatility of earnings
Profit generation all through the crisis

Resilient earnings
Gross income evolution
Base 100 = 2009

Profit generation all through the crisis
€ Bn

(1) European Peer Group: BARC, BNPP, CASA, CS, CMZ, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS, UCG . (2) 1H2016 annualized for comparative purposes.
### Profit generation in the adverse scenario

**Cumulative 2016-2018 (€mn)**

<table>
<thead>
<tr>
<th></th>
<th>BBVA</th>
<th>Peer 1</th>
<th>Peer 2</th>
<th>Peer 3</th>
<th>Peer 4</th>
<th>Peer 5</th>
<th>Peer 6</th>
<th>Peer 7</th>
<th>Peer 8</th>
<th>Peer 9</th>
<th>Peer 10</th>
<th>Peer 11</th>
<th>Peer 12</th>
</tr>
</thead>
</table>

**BBVA is the only bank generating positive results in 2016-2018 adverse scenario**

### CET1 FL Evolution 2015-2018

**Adverse scenario (bps)**

<table>
<thead>
<tr>
<th></th>
<th>BBVA</th>
<th>Peer 1</th>
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<th>Peer 4</th>
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<th>Peer 6</th>
<th>Peer 7</th>
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<th>Peer 9</th>
<th>Peer 10</th>
<th>Peer 11</th>
<th>Peer 12</th>
</tr>
</thead>
</table>

**BBVA 2018 Ratios in adverse scenario**

- CET1 FL: 8.2%
- Leverage Ratio: 5.1%

**The second smallest impact on CET1 FL ratio in 2018 adverse scenario**

... due to the ability to generate recurring results

Source: BBVA based on 2016 EBA stress test.  
Note: Peers included: BARC, BNPP, CASA, CMZ, DB, HSBC, ISP, LBG, RBS, SAN, SG and UCI.
Superior Earnings Power

Main topics by Business area after 2Q results

<table>
<thead>
<tr>
<th>% Group’s Gross Income</th>
<th>2016e GDP growth</th>
<th>SPAIN</th>
<th>USA</th>
<th>TURKEY</th>
<th>MEXICO</th>
<th>SOUTH AMERICA</th>
</tr>
</thead>
<tbody>
<tr>
<td>27%</td>
<td>+3.1%</td>
<td>NII Pressure due to low interest rate environment.</td>
<td>Positive NII performance and costs under control</td>
<td>Solid revenue growth (&gt;20%)</td>
<td>Outstanding gross income performance and positive jaws in 1H16</td>
<td>Good revenue growth</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Focus on cost control</td>
<td>Lower Oil &amp; Gas provisions than in 1Q16</td>
<td>Excellent cost management</td>
<td>Bottom line double-digit growth</td>
<td>Cost of risk better than expected</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Maintaining positive trend in loan-loss provisions and impairments</td>
<td>CCAR test passed</td>
<td>Outstanding bottom-line growth</td>
<td>Significant FX negative impact in 2016</td>
<td>Significant FX negative impact in 2016</td>
</tr>
<tr>
<td>11%</td>
<td>+1.6%</td>
<td>Ongoing RE exposure reduction and lower P&amp;L negative impact</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17%</td>
<td>+3.5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27%</td>
<td>+1.8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16%</td>
<td>1.6%</td>
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</tr>
</tbody>
</table>

Footprint positively geared to GDP growth

(1) Data as of 1H16. Figures exclude Corporate Center (2) BBVA Research estimates. South America 2016 estimate based on BBVA’s footprint ex Venezuela, country weightings based on 1H16 Gross Income.
Solid Risk Management
Continuous improvement thanks to Spain’s recovery

Risk Framework
A Risk Management Model based on prudence and proactivity

Risk Management Goal
To preserve the Group’s solvency, support its strategy and ensure business development

NPL ratio
- Jun. 14: 6.4
- Jun. 15: 6.1
- Jun. 16: 5.1

Coverage ratio
- Jun. 14: 62
- Jun. 15: 72
- Jun. 16: 74

Cost of Risk (1)
- Jun. 14: 1.24
- Jun. 15: 1.16
- Jun. 16: 0.92

(1) Accumulated Cost of Risk
Sound Capital Position
Solid capital ratios and ability to generate capital

Solid capital ratios
Fully-loaded capital ratios (2Q2016) BBVA Group (%)

- Tier II: 3.02%
- AT 1: 1.53%
- CET1 FL: 10.71%
- Tier II and AT 1 buckets already covered

Ability to generate capital
2016 CET1 fully-loaded evolution (%)

- % CET1 FL (Dec.15): 10.33%
- Net Earnings: 0.46%
- Dividends: -0.17%
- Others: 0.09%
- % CET1 FL (Jun.16): 10.71%

CET1 phased-in: 12.03%

On track to achieve CET1 FL 11% target in 2017
High RWAs density and limited usage of internal models vs peers

**High Quality Capital**

**RWAs/ Total Assets**

2Q2016

- BBVA: 53%
- European Peer Group Average: 31%

**Leverage ratio**

2Q2016

- BBVA: 6.4%
- European Peer Group Average: 4.5%

**85% of RWAs related to Credit Risk and 65% explained by Stand. model**

**RWAs: breakdown by type of risk**

- Credit Risk: 86%
- Operational Risk: 8%
- Market Risk: 5%
- Other Risk: 1%

**Credit Risk RWAs: breakdown by Model**

- Internal Models: 34%
- Standardized Models: 66%

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(1) European Peer Group: BARC, BNPP, CASA, CS, CMZ, DB, HSBC, ISP, LBG, RBS, SAN, SG, UBS, UCG
(2) Data as of Dec. 2015. Based on EBA’s 2016 EU-wide Stress Test.
Sound Capital Position

Capital ratios well above current requirements

<table>
<thead>
<tr>
<th>BBVA Group Capital Requirements (1)</th>
<th>BBVA Group Capital Ratio (2Q16)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 CET1 minimum requirement</td>
<td>2017 SREP to be communicated before year end</td>
</tr>
<tr>
<td>9.75%</td>
<td>13.25%</td>
</tr>
<tr>
<td>0.25</td>
<td>15.7%</td>
</tr>
<tr>
<td>5</td>
<td></td>
</tr>
<tr>
<td>4.5</td>
<td></td>
</tr>
<tr>
<td>Total Capital Requirement</td>
<td></td>
</tr>
<tr>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>13.5%</td>
<td></td>
</tr>
<tr>
<td>15.3%</td>
<td></td>
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<tr>
<td>2</td>
<td></td>
</tr>
<tr>
<td>1.5</td>
<td></td>
</tr>
<tr>
<td>1.5</td>
<td></td>
</tr>
<tr>
<td>2Q16 Phased In Total Capital Ratio</td>
<td>2017 SREP expected to include Total Capital requirement</td>
</tr>
<tr>
<td>0.7</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>15.7%</td>
</tr>
<tr>
<td>2Q16 Fully-phased Total Capital Ratio</td>
<td></td>
</tr>
<tr>
<td>0.7</td>
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<td>15.7%</td>
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BBVA Group Capital Ratio (2Q16)

- Possible introduction of Pillar II guidance, improving distance to MDA
- Overall capital requirements expected to be stable

(1) Pillar 1 CRR art.92 + SREP requirements + G-SII B+ O-SII B+ CCyB.
MREL framework
MREL Requirement

MREL Requirement = 1 + 2 + 3

1. Loss Absorption Amount
   (The highest of the below)

   - Pillar 1: Own funds Transitional
   - Pillar 2: Basel I Floor
   - Leverate Ratio requirement (3% of Leverage exposure)

2. Recapitalization Amount
   (The highest of the below)

   - Pillar 1: Own funds Transitional
   - Pillar 2: Basel I Floor
   - Leverate Ratio requirement (3% of Leverage exposure)

3. Other adjustments (1)
   (by Resolution authority)

Key themes to manage

- Perimeter
- Calibration
- Calendar
- Eligibility of instruments

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(1) Related to exclusions from bail-in or partial transfer which are an impediment to resolvability; business model, funding model and risk profile; size and systemic risk; contributions by the deposit guarantee scheme to the financing of resolution.
**MREL framework**

**Key themes to manage**

**Perimeter**

BBVA S.A: principal entity to which MREL will be applied

- No G-SIB, but considered O-SII
- Strong starting point (CET1 FL for BBVA S.A. 17.9% in 2Q16)
- Treatment of subsidiaries

**Calendar**

Lack of visibility. More clarity expected in 4Q16

EBA public consultation

- Apr’14
- Jul’15
- Jan’16
- Oct’16
- Jan’20

- Final BRRD Approval
- EBA Technical Standard
- Bail-in enters into force
- EBA&EU COM review
- Q3: SRB first set of MREL decisions

**Calibration**

Overall MREL requirements should converge with TLAC

- Europe has 15 G-SIBs (vs 30 G-SIBs in total)
- Level playing field for G-SIBs and O-SIIs
- Ambitions of SRB

**Eligibility of instruments**

Necessity to achieve harmonization in Europe with respect to the characteristics of qualifying MREL instruments

- Spanish regulation allows the issuance of Subordinated non-preferred securities as a segregated intermediate class between senior unsecured debt and subordinated debt
- Strong similarity with “French non-preferred senior debt”
Solid liquidity position

Refinancing of wholesale maturities as primary source of MREL

Wholesale funding highlights

Low funding needs for the remainder of 2016
Funding Maturities in the next 3 years roughly € 22 bn

The maturity profile of our wholesale funding structure enables a smooth substitution rate from traditional formats to MREL compliant securities

In the medium-term, the liability structure of the balance sheet should migrate towards a structure with more bailinable instruments

Wholesale funding issuances

- **May’15**: € 1.1 bn Senior debt
- **Oct’15**: $ 1 bn Senior debt (USA)
- **Nov’15**: € 1.25 bn Covered Bond
- **Jan’16**: € 1.0 bn Senior debt
- **Mar’16**: € 1.25 bn Covered Bond
- **Apr’16**: € 1 bn AT1

Debt maturity profile (total debt: € 48 bn (1))

Jun-16 (€M)

- 2016: 3.414
- 2017: 13.367
- 2018: 4.445
- 2019: 4.497
- >2020: 21.920

(1) Outstanding amount as of June 30, 2016 (CX included).
Solid liquidity position
Decentralized capital and liquidity management

- Independent ratings and liquidity management by subsidiaries
- Market discipline and proper incentives
- Firewalls between subsidiaries and the parent company
- Supervision and control by the parent company
- Proven resilience during the crisis

**USA**
Loan to deposits **95%**

**Mexico**
Loan to deposits **92%**

**Turkey**
Loan to deposits **106%**

**South America**
Loan to deposits **103%**

Figures as of June 2016.
**Transformation**
Driving efficiency

**Technological levers**

- **Infrastructure**
  Lower and variable cost of structures

- **Software**
  Development of global components + Agile

- **Process automation**

**Moving to more efficient channels**

**Web**

Branch transactions
Millions – BBVA Spain

![Graph showing Branch transactions from 2009 to 2015 with decreases](image)

**Mobile**

Other Channel transactions
Millions – BBVA Spain

Automation index

64% 76% 80% 83%

![Graph showing Other Channel transactions from 2009 to 2015 with increases](image)

**Remote managers**

Remote managers: +23% customers in portfolio vs. branch managers

Source: BBVA; Automation index= Other Channel transactions/ Total transactions.
Transformation
Growing our Digital Customer Base

Digital Customers
BBVA Group – Million, % penetration

- Jun.15: 13.6, 30%
- Dec.15: 15.2, 33%
- Jun.16: 16.4, 35%

+21% Growth

Mobile Customers
BBVA Group – Million, % penetration

- Jun.15: 7.0, 16%
- Dec.15: 8.9, 19%
- Jun.16: 10.2, 22%

+45% Growth
**Transformation**

Focus on Driving Digital Sales Across all Franchises

**Digital Sales - % of total sales YtD, # of transactions**

- **Spain**
  - Dec.15: 8.8%
  - Jun.16: 14.7%

- **Mexico**
  - Dec.15: 6.6%
  - Jun.16: 12.3%

- **South America**
  - Dec.15: 9.0%
  - Jun.16: 14.3%

- **USA**
  - Dec.15: 9.3%
  - Jun.16: 20.1%

- **Turkey**
  - Dec.15: 23.4%
  - Jun.16: 23.9%
BBVA’s rating trends improving since end 2013

New methodologies are improving BBVA’s absolute and / or relative rating position vs. peers